



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/2/2003

GAIN Report #KZ3005

Kazakhstan, Republic of

Grain and Feed

Annual

2003

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Report Highlights:

After two consecutive years of bumper crops, Kazakhstan's MY 2003/04 wheat production is forecast to decline to 11.5 million metric tons (MMT), assuming normal weather conditions. MY 2003/04 wheat exports are forecast to increase to 5.5 MMT, due to better quality wheat and stronger demand from traditional importers.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Ankara[TU1], KZ

Executive Summary

Kazakhstan's MY 2002/03 total grain production is estimated at 15.9 million metric tons (MMT) including 12.6 MMT of wheat, 2.2 of barley, 435,000 MT of corn and 220,000 MT of rice. Despite a 6.6 percent increase in grain area, total grain production was slightly down compared with last year. Nevertheless, observers consider the crop as one of the best in recent years because average yields were 1.14 tons per hectare which is higher than Kazakhstan's average of 1.0 ton/ha. Lack of machinery remains the main technical constraint to increase grain production. Despite the good crop, Kazakhstan's MY2002/03 grain exports are limited to 5.5 MMT, including 5.0 MMT of wheat, 400,000 of barley and 100,000 of other grains due to reduced demand from traditional importers and lower quality.

In MY 2003/04, area sown with grains is expected to remain unchanged. Therefore total grain production is forecast to decline to 13.8 MMT, assuming normal weather conditions. This forecast is based on average grain yields for the past 10 years. Total grain production will include: 11.5 MMT of wheat, 1.8 MMT of barley and 500,000 MT of other grain. MY 2003/04 grain exports are expected to total 6.0 MMT including 5.5 MMT of wheat and 500,000 of barley. Exports are expected to increase slightly due to better quality and stronger demand from traditional importers. Officials expect a smaller crop in Russia due to a 10 percent decrease in winter wheat area and normal weather conditions.

WHEAT

Production

Kazakhstan's MY 2002/2003 wheat production is officially reported at 12.6 MMT. Despite an increase in harvested area by 800,000 hectares, wheat production remained unchanged from the previous year. Poorer weather conditions caused lower production this year. The lack of rainfall during the growing season and heavy rains during harvesting led to the lower yields, larger losses and poorer quality.

Kazakhstan's MY 2003/04 wheat production forecast is at 11.5 MMT assuming normal weather conditions. Specialists expect that sown area to remain at 11.5 million hectares. Average yields are expected to be 1.0 tons per hectare which is based on average yields during the past 10 years.

Seeds: In MY 2002/03, the government of Kazakhstan (GOK) procured about 100,000 MT of wheat seeds for the State reserves. Beginning in March, farmers shall receive an allocation of seed as a loan to be reimbursed in November. In addition, farmers will be able to buy seeds at market prices from the State Reserves. Last year only 24,500 tons of seed out of a 100,000 ton reserve were sold because the quality of the previous year's crop was good and farmers decided to keep some for their own needs.

Fertilizers and chemicals: According to official statistics, Kazakhstan's farmers used about 20,000 tons of mineral fertilizers in MY 2002/03. Most of the fertilizer was applied to industrial crops. In general, farmers, do not use mineral fertilizers for wheat production due to the high prices. On February 24, 2003, the GOK adopted new rules for subsidizing locally-produced fertilizers. Currently, farmers will receive a partial reimbursement of the cost of mineral fertilizers. Manufacturers of mineral fertilizers will receive a reimbursement for fertilizers sold on the local market to farmers. The GOK has established reimbursement rate at 40 percent of the selling prices and allocated about 1 billion KZT (\$1=152.5 KZT) for subsidies in 2003. The same terms will be used for locally produced

chemicals. However, most chemicals are imported and will not be eligible.

PSD Table						
Country:	Kazakhstan, Republic of					
Commodity:	Wheat					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	10700	10700	11500	11500	0	11500
Beginning Stocks	1450	1450	5200	5200	7550	7115
Production	12700	12700	13000	12600	0	11500
TOTAL Mkt. Yr. Imports	15	15	15	15	0	15
Jul-Jun Imports	15	15	15	15	0	15
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	14165	14165	18215	17815	7550	18630
TOTAL Mkt. Yr. Exports	3780	3780	5000	5000	0	5500
Jul-Jun Exports	3780	3780	5000	5000	0	5500
Feed Dom. Consumption	1500	1500	1800	1800	0	2000
TOTAL Dom. Consumption	5185	5185	5665	5700	0	6100
Ending Stocks	5200	5200	7550	7115	0	7030
TOTAL DISTRIBUTION	14165	14165	18215	17815	0	18630

Locusts: According to the MOA specialists, areas infested by locusts in MY 2003/04 should be reduced due to natural cycle of the insects and pesticide treatment used during the previous three years. Nevertheless, in MY 2003/04 the GOK is planning to allocate about 1.5 billion KZT (\$1 million) for treatment against locusts on 600,000 hectares. For reference, in 2000, about 8.1 million hectares were treated against locusts, in 2001- 4.1 million hectares and in 2002 - 1.2 million hectares.

Machinery: One of the biggest constraints in the grain sector is the lack of equipment due to financial difficulties. According to a Ministry of Agriculture report, about 80 percent of tractors, seeders and combines have been in use more than 12 years. Only 9 percent of all machinery is new. Since 2000, the situation has started to improve slightly because the GOK has established state leasing company Kazagrofinance (KAF) and a few of the largest grain producing companies obtained loans from commercial banks to purchase new equipment. Nevertheless, in 2002 Kazakhstan's grain producers purchased only 1129 harvesting combines and about 230 tractors which did not significantly improve the situation. According to a program, for agricultural development, the GOK will allocate about 40.5 billion KZT (\$260 million) to support agriculture. Most of this funding will be used to purchase agricultural machinery which will then be leased to farmers.

Fuel: Lack of funds and high interest rates from commercial banks are limiting the ability of farmers to procure enough fuel for sowing and harvesting. The GOK allocated 4.5 billion KZT (\$3 million) for diesel fuel which will be

distributed among farmers as a loan. Prices for this fuel will be 10 percent lower than market prices. These same subsidies will be provided for harvesting in the fall. Also, in order to ensure sufficient supplies, the GOK announced a ban on exports of diesel fuel from March 15 to June 1, 2003.

Policy

The GOK, through the State Food Contract Corporation (SFCC), annually purchases about 500,000 MT of wheat to rotate into State reserves. In MY 2002/03 the SFCC purchased an additional 1.0 MMT to support prices. The SFCC procured the wheat for \$75 per ton. For additional purchases they offered \$65 per ton.

All grain, rotated from state reserves and purchased additionally has been exported under government-to-government agreements to the Middle East, North Africa and Europe.

At the end of 2002 the GOK adopted a program for agricultural development for 2003-2005. Under the program the GOK will allocate 40.8 billion KZT in 2003, 49.5 billion in 2004 and 55.2 billion in 2005 for leasing equipment and machinery, creation of a procurement organization and subsidies for seeds and chemicals.

Consumption

MY 2002/03 domestic consumption of wheat for feed is estimated at 1.8 MMT due to lower grain domestic prices and the increased demand from the livestock industry. According to official statistics, poultry production increased 13 percent and swine production 7 percent during the past year. MY 2003/04 feed consumption is expected to increase an additional 200,000 MT due to additional growth in the livestock industry and large surpluses of low quality wheat from the MY 2002/03 crop. Wheat for human consumption has remained relatively stable over the past few years at 2-2.5 MMT. Annually, farmers are using about 1.7 MMT for seeds.

Trade

Despite a second consecutive bumper crop, Kazakhstan's MY 2002/03 wheat exports will be limited to 5.0 MMT due to poor grain quality and lower than usual demand from Kazakhstan's major importers, particularly Iran and Uzbekistan. The reduction in wheat exports to the traditional importers has forced Kazakhstan's grain traders to develop alternative markets, especially the Middle East, North Africa and Europe.

Kazakhstan is landlocked and wheat exports are limited by its transportation infrastructure. Most shipments in MY 2002/03 were made through Ukrainian and Russian sea ports on the Black Sea and via the Baltic Sea port of Muuga. Lack of rail cars and high transport tariffs via Russia limit Kazakhstan's wheat exports. The GOK is planning to develop infrastructure at the Caspian Sea port, Aktay, in order to facilitate exports to Iran. In 2004, a new grain terminal will be completed in Aktay. The total capacity of the grain terminals will be expanded to 1.0 MMT a year from 300,000 MT. Also, in 2004, the GOK is planning to complete a branch rail line which will connect Kustany and Aktay.

Kazakhstan has not yet ratified the international convention of the World Grain Council on wheat trade which it has been a member 1995. Unless the convention is ratified, Kazakhstan may lose its privilege to sell grain on the world market. The information needed for ratification is due in June 2003. However, the government has not developed a formal proposal.

Kazakh officials anticipate MY 2003/04 wheat exports to increase by 500,000 MT due to better quality and

stronger demand from traditional importers as Iran, Uzbekistan and European countries.

Prices: Export prices for class 3 soft wheat remain around \$80-\$85 per ton (EXW) due to quality problems and limited export demand.

Stocks

MY2002/03 ending stocks are estimated to increase significantly to 7.1 MMT due two bumper crops in a row. Nevertheless, observers estimate ending stocks are 1.5-2 MMT less due to large unrecorded exports of wheat and wheat flour. The SFCC is planning to maintain state reserves at 600,000 MT including 100,000 MT of seeds. The remaining stocks will be held on farm or by traders and processors. MY2003/04 ending stocks are forecast to decline by 100,000 MT due to the anticipated decrease in production and increase in exports.

Export Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Exports for	2001		2002
U.S.	5	U.S.	0
Others		Others	
Iran	1050	Tunis	600
Azerbaijan	467	Jordan	600
Uzbekistan	403	Azerbaijan	250
Russia	325	Tajikistan	250
Tajikistan	310	Afghanistan	280
Kyrgyzstan	174	Sudan	250
Turkey	154	Italy	400
Afghanistan	149	Turkey	300
Norway	95	France	250
Jordan	52	Saudi Arabia	300
Total for Others	3179		3480
Others not listed	341		1520
Grand Total	3525		5000

BARLEY

Production

Barley is a major feed grain in Kazakhstan. MY 2002/2003 production estimated at 2.2 MMT. In general, barley suffers from similar production problems as wheat. Specialists do not expect significant changes barley sown area

due to the small local market and limited exports. Assuming normal weather conditions, MY 2003/04 barley production forecast is 1.8 MMT.

PSD Table						
Country:	Kazakhstan, Republic of					
Commodity:	Barley					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	1700	1700	1800	1750		1800
Beginning Stocks	986	986	1147	1147	1047	1047
Production	2200	2200	2200	2200		1800
TOTAL Mkt. Yr. Imports	8	8	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	3194	3194	3347	3347	1047	2847
TOTAL Mkt. Yr. Exports	397	397	500	400		500
Oct-Sep Exports	397	397	500	400		500
Feed Dom. Consumption	1550	1550	1700	1800		1850
TOTAL Dom. Consumption	1650	1650	1800	1900		1950
Ending Stocks	1147	1147	1047	1047		397
TOTAL DISTRIBUTION	3194	3194	3347	3347	0	2847

Trade

Kazakhstan's MY 2002/2003 exports are estimated at 400,000 MT. Major importers are Saudi Arabia and Tunis. Neighbouring CIS countries' imports have decreased significantly due to better production.

MY2003/04 barley exports are expected to be 500,000 MT due to an anticipated increase in demand from Russia and CIS countries.

Export Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Exports for	2001		2002

U.S.		U.S.	
Others		Others	
Saudi Arabia	204	Saudi Arabia	250
Iran	153	Tunis	50
Estonia	17	Afghanistan	5
Russia	5	Netherlands	10
Ukraine	5	Azerbaijan	5
Afghanistan	3	Ukraine	5
Kyrgyzstan	3	Uzbekistan	5
Netherlands	2	Ukraine	5
UAE	2	Uzbekistan	2
Uzbekistan	2		
Total for Others	396		337
Others not listed	2		63
Grand Total	398		400